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SUBJECT: OMANI MINISTER OF ECONOMY ON THE BUDGET, GCC, AND PORT
DEVELOPMENT

REF: 09 MUSCAT 161

CLASSIFIED BY: Richard Schmierer, Ambassador, Department of State,
Embassy Muscat; REASON: 1.4(B), (D)

¶1. (C) SUMMARY: The Ambassador paid an introductory call on Oman's Minister of National Economy Ahmed Macki on January 9. Macki proved enthusiastic and energetic about Oman's plans for development, detailing them at great length. Topics of discussion ranged from Oman's 2010 budget to internal conflict within the Gulf Cooperation Council (GCC). Macki's approach to economic affairs remains pragmatic and evidences foresight into which sectors of the economy are best suited for development in Oman. END SUMMARY.

¶2. (C) BUDGET AND TRANSPARENCY: The Ambassador congratulated Minister Macki on the release of the 2010 budget and its wide dissemination to the public via media outlets. Macki responded that it is important that the budget remain transparent. He said that the government should be as forthright as possible in releasing information to the citizenry and that the government has to tell the people the truth. Turning to budgetary matters, Macki stated that he was unconcerned regarding the forecasted 800 million Omani Rial (O.R.) deficit, as the 2009 budget had projected a 810 million O.R. deficit, which disappeared as the price per barrel of oil (ppb) exceeded the budget's forecast of \$45 ppb. According to Macki, planned fiscal budget deficit spending continues to be necessary to pay for upgrading Oman's infrastructure "post-Gonu" (NOTE: Cyclone Gonu struck Oman in 2007, its torrential rains heavily damaged roads and other infrastructure. END NOTE). This has been the policy for the past two years (reftel). Oman finances its deficit spending largely by drawing from its Emergency Fund rather than taking loans. Macki instituted the Emergency Fund when oil prices reached historic highs.

¶3. (C) DUQM. Macki talked at length about the new Duqm port, the idea for which he takes credit, having had the idea from the time he was in the Ministry of Commerce and Industry more than twenty years ago. Macki informed the Ambassador that Duqm will be larger than the UAE's Jebel Ali, with a dry dock and the ability to repair ships. Macki chose the location as a means to develop an under populated and undeveloped area of Oman. Macki also mentioned that Oman and the UAE are conducting a feasibility study on building a joint oil refinery in Duqm. He stated that the refinery would have a 200,000 barrel per day capacity. Macki believes that the port management of Antwerp is in the final stages of negotiations for management of the Duqm port.

¶4. (C) GCC ISSUES. Macki remains firmly opposed to the GCC common currency and does not foresee Oman adopting the currency at any

time in the near future. He opined that the GCC members, aside from the UAE, have not given sufficient thought to the currency issue, and that certain members are unwilling to compromise on the matter. Macki also commented on other GCC shortcomings, including the Customs Union, which remains incomplete. He attributes the problems with the Customs Union to Saudi Arabia not wanting to remove various barriers which the Saudis cite as necessary for security. Macki also pointed to the problems of assessing goods which are merely transiting through one GCC member with a destination of another. (NOTE: This is also an issue plaguing U.S. - Oman FTA implementation. END NOTE.) Per the current Customs Union agreement, he said, the final destination country should get the duty but the duty should be assessed at the point of entry. However, there is no mechanism in place to transfer the duty to the destination country. Nor would such a mechanism be economical.

15. (C) ADVOCACY. The Ambassador mentioned that Bechtel had submitted a bid for the construction of the new Muscat International Airport terminal. Macki informed the Ambassador that the build time had been extended to allow for the completion of the airport in 2014; accordingly, he said that he expected the proposed costs submitted by Bechtel and the two other bidders to increase by 30 to 50 million O.R. Macki is familiar with Bechtel, citing its construction of the aluminum smelter in Sohar. He also said that he "hopes they [Bechtel] will get it because they are very organized and professional."

16. (C) COMMENT: Although Macki's comments regarding the transparency of the budget are self-promoting, they ring true.

According to Transparency International's Corruption Perception Index, Oman has one of the most transparent governments in the Gulf region (regionally ranked between the UAE and Bahrain). As for future development plans, Macki's vision for Duqm coupled with a GCC railroad would offer an attractive alternative to Jebal Ali for shippers hesitant to ship through the Strait of Hormuz, and also as a way for the UAE to hedge its dependence on that route regarding the export of its oil. END COMMENT.
Schmierer